536/990

Department of the Treasury
Internal Revenue Service
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Net Operating Losses

- **Trade or business**
- **Employee business expenses**
- **Casualty and theft**

For use in preparing
1990 Returns

Introduction

If your deductions for the year are more than your income for the year, you may have a net operating loss (NOL). This publication discusses NOLs, how to figure them, how to carry them to other years, and how to deduct them in those years.

For a loss to be considered an NOL, it must be caused by:

1) Deductions from a trade or business,
2) Deductions you take in connection with your work as an employee, or
3) Deductions for casualty and theft losses.

A loss from operating a business is one of the most common reasons for an NOL. In determining the amount of the NOL, there are limits on both the kinds and the amounts of deductions you can take. These limits are different for individuals and corporations.

An NOL can be used to offset income in other tax years. If you carry back an NOL, you must refigure your tax for the year to which you carry the NOL. If you then owe less tax than you paid for that year, you can get a refund.

Before your loss can be deducted as an NOL, it may be limited by other rules. It may be limited, for example, by the at-risk rules or by the passive activity rules. For an explanation of those rules, see Publication 925, *Passive Activity and At-Risk Rules*. Your loss may even be considered to have resulted from a not-for-profit activity and would, therefore, be treated as a nondeductible loss. See *Not-for-Profit Activities* in Publication 535, *Business Expenses*, for a discussion of such activities.

In the following sections, this publication explains NOLs for individuals. Later, it discusses NOLs for corporations.

Free Publications and Forms

If you need information on a subject not covered in this publication, you may check our other free publications. To order publications and forms, call our toll-free telephone number 1–800–829–3676 or write to the IRS Forms Distribution Center for your area as shown in the income tax package.

NOL Steps

In general, figuring and using an NOL involves ***three steps.***

First. Determine whether or not you have an NOL for an "NOL year," and its amount. See *How To Figure an NOL.*

Second. Figure how much of that NOL is an ***NOL carryback*** or an ***NOL carryover.*** In this second step, determine which years you may carry the NOL to, and whether to carry it back or only forward. See *When To Use an NOL.* Also determine how much of the NOL may be carried to these "carryback"or "carryover" years. The amount you carry to a tax year is the NOL that was not used up in computing the income of an earlier tax year, which you figure by subtracting the "modified taxable income" of the earlier year from the NOL. See *How To Use an NOL.*

Third. Determine the ***NOL deduction*** for any year to which you carried an NOL, and use that deduction to figure your tax liability for that year. Your NOL deduction is the total of your NOL carrybacks and carryovers to a tax year. See *NOL Less Than Taxable Income.*

Note. If you are carrying NOLs from more than one NOL year, begin by completing the first two steps for the NOL from the earliest year. Next complete the first two steps for the NOL from the next earliest year, and so on in sequence. Then complete the third step.

How To Figure an NOL

In general, you figure an NOL the same way you figure taxable income. Start with your gross income and subtract your deductions. If your deductions are more than your gross income, you have a potential NOL.

There are rules that limit what you can deduct when figuring an NOL. In general, these rules do not allow personal exemptions, net capital losses, nonbusiness losses, or nonbusiness deductions to produce an NOL. However, there is a wide variety of deductions, including casualty and theft losses and employee expenses, that you may treat as "business" rather than "nonbusiness" deductions.

Business income. This is income you receive from your trade or business. In figuring an NOL, treat the salary or wage you earn as an employee as income from a trade or business. In addition, include any gain from the sale or other disposition of depreciable property or real estate you use in your business as business income.

Business deductions. These are expenses that are ordinary and necessary in carrying on your trade or business. In figuring an NOL, you also treat certain other deductible expenses as business deductions. These expenses include:

- Personal casualty and theft losses;
- Moving expenses;
- The deductible portion of employee expenses, such as:
  - Travel,
  - Transportation,
  - Union dues, and
  - Work clothes required in your work;
- State income tax on business profits; and
- Interest and litigation expenses on state and federal income taxes related to your business income.

If you are a federal employee and buy back sick leave used in an earlier year, you can treat your cost as a business deduction in determining an NOL.

Several types of losses are also considered business deductions. These are:

- Loss on property you rent out,
- Loss on the sale or exchange of business real estate or depreciable business property,
- Loss on the sale of accounts receivable, but only if you use the accrual method of accounting,
- Loss on the sale of stock in a small business corporation, up to the amount of the loss that qualifies as an ordinary loss, and
- Loss from the sale or exchange of small business investment company stock, up to the amount that qualifies as an ordinary loss.

Note. If your losses involve passive activities, the losses described above may be limited by the passive activity rules and not be available for inclusion in the NOL amount. See Publication 925 for more information.

Nonbusiness income. This is income that is not from a trade or business. This includes dividends, annuities, income from an endowment, and interest on investments.

Nonbusiness deductions. These are deductions that are not from a trade or business and are not related to your employment. They include medical expenses, alimony, charitable contributions, the self-employment health insurance deduction, and contributions to a personal retirement plan or individual retirement account. If you do not itemize your deductions, then your nonbusiness deductions would also include the standard deduction.

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Business versus nonbusiness. To figure an NOL, it is necessary to separate business income and deductions from nonbusiness income and deductions.

Rules limiting deductions. In figuring an NOL, you may not be able to deduct some items that are deductible in figuring your taxable income. Other deductions must be adjusted. The deductions affected are:

Exemptions. You cannot claim your personal exemptions or exemptions for dependents.

NOL deduction. You cannot deduct any NOL carryovers or carrybacks from other years.

Nonbusiness capital losses. You may deduct nonbusiness capital losses only up to the amount of nonbusiness capital gains. Any excess of nonbusiness capital losses over nonbusiness capital gains cannot be deducted.

Nonbusiness deductions. Nonbusiness deductions may be subtracted only from nonbusiness income, including any nonbusiness capital gains that remain after deducting nonbusiness capital losses. If your nonbusiness deductions are more than your nonbusiness income, you cannot deduct the excess.

Business capital losses. You may deduct business capital losses only up to the total of your:

Business capital gains, plus

The amount that results from subtracting the total of nonbusiness capital losses, personal exemptions, and nonbusiness deductions from nonbusiness capital gains.

A net capital loss cannot be deducted.

Example. In addition to his business income and deductions, Bob Green has ordinary nonbusiness income of $7,500 and nonbusiness capital gains of $13,000. He has ordinary nonbusiness deductions of $9,000 and nonbusiness capital losses of $7,000.

Bob's ordinary nonbusiness deductions exceed his nonbusiness income by $1,500 ($9,000 − $7,500). However, his nonbusiness capital gains exceed his nonbusiness capital losses by $6,000 ($13,000 − $7,000). Thus, Bob can use the $1,500 nonbusiness ordinary loss to offset part of his net nonbusiness capital gain. This leaves a net nonbusiness capital gain of $4,500 ($6,000 − $1,500).

If Bob had net business capital losses, he could use them to offset his remaining nonbusiness capital gain. However, if his net business capital losses exceeded $4,500, he could not include the excess as part of his NOL deduction.

Schedule A (Form 1045). You can use Schedule A (Form 1045), *Computation of Net Operating Loss*, to figure your NOL.

The following example is an illustration of how to figure an NOL using Schedule A (Form 1045). It includes a filled-in Schedule A (Form 1045), as well as pages 1 and 2 of the related Form 1040.

Example. In 1986, 1987, and 1988, Glenn Johnson had no taxable income. In 1989, he started a retail shoe business. He had an NOL of $185 for 1989 because of business losses during the first year. He elected not to carryback the 1989 NOL. For 1990, he is single and has the following income and deductions on his Form 1040. (See the illustrated Form 1040 later.)

INCOME	
Salary earned as part-time helper in gas station	$ 1,225
Interest on savings	425
Net long-term capital gain on sale of real estate used in business	2,000
Glenn's total income	$ 3,650
DEDUCTIONS	
1989 net operating loss carryover	$ 185
Net loss from business (sales of $67,000 minus expenses of $72,000)	5,000
Net short-term capital loss on sale of stock	1,000
Personal exemption	2,050
Standard deduction	3,250
Small business investment company stock loss	300
Loss on small business stock	700
Glenn's total deductions	$12,485

Glenn's deductions exceed his income by $8,835 ($12,485 − $3,650). However, to figure whether he has an NOL, he must modify certain deductions. He can use Schedule A (Form 1045) to figure his NOL. See the illustrated Schedule A (Form 1045) included here. (Form 1045 is not filed with Glenn's tax return. It is filed separately for a quick, tentative refund of tax.)

Form 1045 (1990) Page 2

Schedule A—Computation of Net Operating Loss (NOL)

1	Adjusted gross income from 1990 Form 1040, line 32 (estates and trusts, skip lines 1 and 2)				1	(3,535)
2	Deductions (applies to individuals only):					
a	Enter amount from your 1990 Form 1040, line 34			2a	3,250	
b	Multiply $2,050 by the total number of exemptions on your 1990 Form 1040, line 6e			2b	2,050	
c	Add lines 2a and 2b				2c	(5,300)
3	Combine lines 1 and 2c (estates and trusts, enter your taxable income)				3	(8,835)
	Note: *If line 3 is zero or more, do not complete rest of schedule. You do not have a net operating loss.*					
Adjustments:						
4	Exemptions from line 2b above (estates and trusts, enter exemption from your tax return)			4	2,050	
5	Nonbusiness capital losses (enter as a positive number)	5	1,000			
6	Nonbusiness capital gains	6				
7	If line 5 is more than line 6, enter difference; otherwise, enter zero	7	1,000			
8	If line 6 is more than line 5, enter difference; otherwise, enter zero	8	-0-			
9	Nonbusiness deductions (see instructions below)	9	3,250			
10	Nonbusiness income (other than capital gains) (see instructions below)	10	425			
11	Add lines 8 and 10	11	425			
12	If line 9 is more than line 11, enter difference; otherwise, enter zero			12	2,825	
13	If line 11 is more than line 9, enter difference (but do not enter more than line 8); otherwise, enter zero	13	-0-			
14	Business capital losses (enter as a positive number)	14	1,000			
15	Business capital gains	15	2,000			
16	Add lines 13 and 15	16	2,000			
17	If line 14 is more than line 16, enter difference; otherwise, enter zero	17	-0-			
18	Add lines 7 and 17, but do not enter more than your capital loss limitation (see instructions below)			18	1,000	
19	Net operating losses from other years			19	185	
20	Add lines 4, 12, 18, and 19				20	6,060
21	**Net Operating Loss.**—Combine lines 3 and 20. If the combined amount is less than zero, enter it here and on page 1, line 1a. **Note:** *If the combined amount is zero or more, you* ***do not*** *have a net operating loss*				21	(2,775)

Form **1040** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1990**

For the year Jan.–Dec. 31, 1990, or other tax year beginning ____ 1990, ending ____ 19 | OMB No. 1545-0074

Label (See Instructions on page 8.) Use IRS label. Otherwise, please print or type.

CAR-RT-SORT **CR01

GJ 123-00-4567
GLENN M. JOHNSON
5603 E. MAIN STREET
ANYTOWN, VA 20000

City, town or post office, state and ZIP code. (If you have a foreign address, see page 8.)

Your social security number

Spouse's social security number

For Privacy Act and Paperwork Reduction Act Notice, see Instructions.

Presidential Election Campaign (See page 9.)

Do you want $1 to go to this fund? ✓ Yes ____ No
If joint return, does your spouse want $1 to go to this fund? ____ Yes ____ No

Note: Checking "Yes" will not change your tax or reduce your refund.

Filing Status Check only one box.

1 ✓ Single. (See page 9 to find out if you can file as head of household.)
2 ____ Married filing joint return (even if only one had income)
3 ____ Married filing separate return. Enter spouse's social security no. above and full name here. ▶
4 ____ Head of household (with qualifying person). (See page 9.) If the qualifying person is your child but not your dependent, enter this child's name here. ▶
5 ____ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 9.)

Exemptions (See Instructions on page 10.)

6a ✓ **Yourself** If someone else (such as your parent) can claim you as a dependent on his or her tax return, do not check box 6a. But be sure to check the box on line 33b on page 2.
b ☐ **Spouse**

No. of boxes checked on 6a and 6b: 1

c **Dependents:**

(1) Name (first, initial, and last name)	(2) Check if under age 2	(3) If age 2 or older, dependent's social security number	(4) Relationship	(5) No. of months lived in your home in 1990

No. of your children on 6c who:
- lived with you ____
- didn't live with you due to divorce or separation (see page 11) ____

No. of other dependents on 6c ____

If more than 6 dependents, see Instructions on page 11.

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐

Add numbers entered on lines above ▶ 1

e Total number of exemptions claimed

Income Attach Copy B of your Forms W-2, W-2G, and W-2P here. If you do not have a W-2, see page 8. Attach check or money order on top of any Forms W-2, W-2G, and W-2P.

7	Wages, salaries, tips, etc. (attach Form(s) W-2)	7	1,225
8a	**Taxable** interest income (also attach Schedule B if over $400)	8a	425
b	**Tax-exempt** interest income (see page 13). DON'T include on line 8a. 8b		
9	Dividend income (also attach Schedule B if over $400)	9	
10	Taxable refunds of state and local income taxes, if any, from worksheet on page 13	10	
11	Alimony received	11	
12	Business income or (loss) (attach Schedule C)	12	(5,000)
13	Capital gain or (loss) (attach Schedule D)	13	1,000 *
14	Capital gain distributions not reported on line 13 (see page 14)	14	
15	Other gains or (losses) (attach Form 4797)	15	(1,000) * *
16a	Total IRA distributions 16a ____ 16b Taxable amount (see page 14)	16b	
17a	Total pensions and annuities 17a ____ 17b Taxable amount (see page 14)	17b	
18	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)	18	
19	Farm income or (loss) (attach Schedule F)	19	
20	Unemployment compensation (insurance) (see page 15)	20	
21a	Social security benefits 21a ____ 21b Taxable amount (see page 16)	21b	
22	Other income (list type and amount—see page 16) NOL carryover - 185	22	(185)
23	Add the amounts shown in the far right column for lines 7 through 22. This is your **total income** ▶	23	(3,535)

Adjustments to Income (See Instructions on page 16.)

24a	Your IRA deduction, from applicable worksheet on page 17	24a	
b	Spouse's IRA deduction, from applicable worksheet on page 17	24b	
25	Deduction for self-employment tax, from worksheet on page 18	25	
26	Self-employed health insurance deduction, from worksheet on page 18	26	
27	Keogh retirement plan and self-employed SEP deduction	27	
28	Penalty on early withdrawal of savings	28	
29	Alimony paid. Recipient's SSN ▶	29	
30	Add lines 24a through 29. These are your **total adjustments** ▶	30	

Adjusted Gross Income

31	Subtract line 30 from line 23. This is your **adjusted gross income.** If this amount is less than $20,264 and a child lived with you, see page 22 to find out if you can claim the "Earned Income Credit" on line 57. ▶	31	(3,535)

* This amount is the net of the capital gain ($2,000) and the capital loss ($1,000).
* * This amount is made up of the two losses on "small business" stock ($300 + $700).

Tax Computation If you want IRS to figure your tax, see Instructions on page 19.	32	Amount from line 31 (adjusted gross income)		32	(3,535)
	33a	Check if: ☐ You were 65 or older ☐ Blind; ☐ Spouse was 65 or older ☐ Blind. Add the number of boxes checked above and enter the total here ▶ 33a			
	b	If your parent (or someone else) can claim you as a dependent, check here ▶ 33b ☐			
	c	If you are married filing a separate return and your spouse itemizes deductions, or you are a dual-status alien, see page 19 and check here ▶ 33c ☐			
	34	Enter the larger of: • Your **standard deduction** (from the chart (or worksheet) on page 20 that applies to you), **OR** • Your **itemized deductions** (from Schedule A, line 27). If you itemize, attach Schedule A and check here ▶ ☐		34	3,250
	35	Subtract line 34 from line 32		35	(6,785)
	36	Multiply $2,050 by the total number of exemptions claimed on line 6e		36	2,050
	37	**Taxable Income.** Subtract line 36 from line 35. (If line 36 is more than line 35, enter -0-.)		37	-0-
	38	Enter tax. Check if from: a ☐ Tax Table, b ☐ Tax Rate Schedules, or c ☐ Form 8615 (see page 21) (If any is from Form(s) 8814, enter that amount here ▶ d _____.)		38	
	39	Additional taxes (see page 21). Check if from: a ☐ Form 4970 b ☐ Form 4972		39	
	40	Add lines 38 and 39 ▶		40	
Credits (See Instructions on page 21.)	41	Credit for child and dependent care expenses *(attach Form 2441)*	41		
	42	Credit for the elderly or the disabled *(attach Schedule R)*	42		
	43	Foreign tax credit *(attach Form 1116)*	43		
	44	General business credit. Check if from: a ☐ Form 3800 or b ☐ Form (specify) _____	44		
	45	Credit for prior year minimum tax *(attach Form 8801)*	45		
	46	Add lines 41 through 45		46	
	47	Subtract line 46 from line 40. (If line 46 is more than line 40, enter -0-.) ▶		47	
Other Taxes	48	Self-employment tax *(attach Schedule SE)*		48	
	49	Alternative minimum tax *(attach Form 6251)*		49	
	50	Recapture taxes (see page 22). Check if from: a ☐ Form 4255 b ☐ Form 8611		50	
	51	Social security tax on tip income not reported to employer *(attach Form 4137)*		51	
	52	Tax on an IRA or a qualified retirement plan *(attach Form 5329)*		52	
	53	Advance earned income credit payments from Form W-2		53	
	54	Add lines 47 through 53. This is your **total tax** ▶		54	
Payments Attach Forms W-2, W-2G, and W-2P to front.	55	Federal income tax withheld **(if any is from Form(s) 1099, check ▶ ☐)**	55		
	56	1990 estimated tax payments and amount applied from 1989 return	56		
	57	**Earned income credit** (see page 23)	57		
	58	Amount paid with Form 4868 (extension request)	58		
	59	Excess social security tax and RRTA tax withheld (see page 24)	59		
	60	Credit for Federal tax on fuels *(attach Form 4136)*	60		
	61	Regulated investment company credit *(attach Form 2439)*	61		
	62	Add lines 55 through 61. These are your **total payments** ▶		62	
Refund or Amount You Owe	63	If line 62 is more than line 54, enter amount **OVERPAID** ▶		63	
	64	Amount of line 63 to be **REFUNDED TO YOU** ▶		64	
	65	Amount of line 63 to be **APPLIED TO YOUR 1991 ESTIMATED TAX** ▶	65		
	66	If line 54 is more than line 62, enter **AMOUNT YOU OWE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write your name, address, social security number, daytime phone number, and "1990 Form 1040" on it.		66	
	67	Estimated tax penalty (see page 25)	67		

Sign Here

Keep a copy of this return for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation
Glenn M. Johnson	2-5-91	Self-employed
Spouse's signature (if joint return, BOTH must sign)	Date	Spouse's occupation

Paid Preparer's Use Only

Preparer's signature	Date	Check if self-employed ☐	Preparer's social security no.
Firm's name (or yours if self-employed) and address		E.I. No	
		ZIP code	

Glenn cannot deduct the following:

1989 net operating loss carryover	$ 185
Nonbusiness net short-term capital loss	1,000
Personal exemption	2,050
The excess of his nonbusiness deductions (standard deduction amount, $3,250) over his nonbusiness income (interest, $425)	2,825
Total adjustments to net loss	$6,060

When these items are eliminated, Glenn's deductions exceed his income by only $2,775 ($8,835 − $6,060). This amount is his NOL for 1990 and can be carried over to 1991 and later years.

When To Use an NOL

Generally, you carry back an NOL to the 3 tax years before the NOL year, and then carry over any NOL remaining for up to 15 years after the NOL year. The "NOL year" is the year in which the NOL occurred. You may not deduct any part of the NOL remaining after the 15-year carryover period. See also *Forgoing the carryback period,* later.

After you determine which tax year to carry your NOL to, you will be able to figure the amount of your NOL deduction for that year and the unused part of the loss to be carried to the next tax year. You must first carry the entire NOL to the earliest carryback year unless you elect not to use the carryback period. This is explained later. Any NOL that remains after you reduce your modified taxable income for that year to zero can be carried to the next tax year.

If you do not use up the NOL in the 3 carryback years, carry what remains of it over to the 15 tax years following the NOL year. Start by carrying it over to the first tax year after the NOL year. If you do not use it up after subtracting your modified taxable income for that year, carry over the unused part to the next year. Continue to carry over any unused part of the NOL until you complete the 15-year carryover period.

Example. You started your business in 1990 and had a $42,000 NOL for the year. You begin using your NOL in 1987, the third year before the NOL year, as shown in the following chart. When figuring how much of the NOL is used up each year and how much may be carried to a later year, you must make certain modifications to your taxable income for each of the years to which the NOL was carried. These modifications are discussed later.

Year	Carryback or carryover	Modified taxable income	Unused Loss
1987	$42,000	$2,000	$40,000
1988	40,000	3,000	37,000
1989	37,000	5,500	31,500
1990 (NOL year)			
1991	31,500	9,000	22,500
1992	22,500	9,800	12,700
1993	12,700	8,700	4,000
1994	4,000	6,000	-0-

Taxable income of year NOL is used in its entirety is not modified as explained later.

If your loss was larger, you would have been able to carry it forward until the year 2005. If you still had an unused 1990 carryover after the year 2005, you would not be allowed to deduct it.

Forgoing the carryback period. You can choose not to carry back your NOL. If you make this choice, you may then use your NOL only in the 15-year carryover period. To make this choice, attach a statement to your tax return for the NOL year. This statement must show that you are choosing to forgo the carryback period under section 172(b)(3)(C) of the Internal Revenue Code.

You must file this statement by the due date, including extensions, for filing your return for the NOL year. If you do not file it on time, you cannot forgo the carryback period. Once you make this choice, you cannot change it. If you want to forgo the carryback period for more than one NOL, you must make a separate choice for each NOL year.

Foreign expropriation losses. If part of your NOL is from the expropriation, intervention, or seizure of your property by a foreign government, you can only carry over that part of your NOL for up to 10 years following the NOL year. You can not carry it back. Any bad debt deduction for a business debt that becomes worthless because of the expropriation, intervention, or seizure of your property by a foreign government is also a foreign expropriation loss.

How To Use an NOL

After you determine which year to carry your NOL to, you must figure how much of it is available as a carryback or carryover to that year.

If you have not already carried the NOL to an earlier year, then your NOL carryback or carryover is the total amount of the NOL. If you carried the NOL to an earlier year, then your NOL carryback or carryover is the amount of the NOL minus the amount you used in the earlier year or years.

For a carryback to 1987, 1988, or 1989, or a carryover to 1990, you should deduct all of your NOL if it is ***equal to or less than*** your taxable income (line 36 of Form 1040 for 1987, line 37 for 1988, 1989, and 1990). If your NOL is less than your taxable income, you will have to refigure your tax. See *NOL Less Than Taxable Income,* later.

If your NOL is ***more than*** the taxable income of the year to which it is carried, you must make certain modifications to that taxable income to determine how much loss will be used up in that year and how much loss can be carried to the next tax year. The amount you may carry to another year, after applying it in an earlier year or years, is the excess of your NOL over the modified taxable income of the earlier year or years.

If you carry NOLs from more than one year to the same year, figure the amount that has been used up for each NOL separately, starting with the NOL from the earliest NOL year. In other words, first figure the modified taxable income you will subtract from the NOL that came from the earliest NOL year, to get the carryback or carryover from that year. Then figure the modified taxable income you will subtract from the NOL from the next earliest NOL year to get the carryback or carryover from that year, and so on. The sum of these carrybacks and carryovers will be your NOL deduction for the year.

Modified taxable income. If your NOL is more than the taxable income of the year to which it is carried, you must make certain adjustments to that taxable income to determine the modified taxable income of that year. The modified taxable income is used only to determine if there is any excess NOL to be carried to the next tax year. Do not use any of the adjustments to figure your NOL deduction or to redetermine your tax liability. If your NOL is more than the modified taxable income, carry the difference to the next tax year.

You arrive at modified taxable income in two steps. In step one, modify the deductions used in figuring adjusted gross income. In step two, modify the deductions that are subtracted from adjusted gross income to arrive at taxable income. Use the following guide to these modifications.

Step one. Figure adjusted gross income as you normally would for the carryback or carryover year, but with the following three modifications:

1) You can deduct capital losses only up to the amount of capital gains. You cannot deduct any part of a net capital loss.
2) Do not deduct the NOL carried from your NOL year or from any later tax years. But be sure to deduct any allowed NOL carrybacks or carryovers from years before your NOL year.

Note. If you carry two or more NOLs to a tax year, you must deduct them, when figuring modified taxable income, in the order they were incurred. First, deduct the NOL from the earliest year, then the NOL from the next earliest year, and so on. After you deduct each NOL, there will be a new, lower total for modified taxable income to compare with any remaining NOL.

Step two. Take the deductions from adjusted gross income that you are normally allowed, but with the following modifications:

1) You must use modified adjusted gross income (figured in ***Step one***) to figure the percentage limits on the deductions for medical expenses, charitable contributions, miscellaneous expenses, and casualty losses.
   Note. The deduction for charitable contributions is not changed because of an NOL carryback. Therefore, any NOL carrybacks that you already deducted in figuring adjusted gross income must be added back to refigure the percentage limit on the deduction for charitable contributions.
2) You must deduct your total itemized deductions or your standard deduction.
3) You cannot claim your personal exemptions or exemptions for dependents.

Note. You may find after making these modifications that you arrive at a negative figure for modified taxable income. If so, treat the modified taxable income as zero.

Example. In calendar year 1990, you have an NOL of $16,000 that you carry back to 1987. You have no other carrybacks or carryovers to 1987. Therefore, your NOL carryback to 1987 is $16,000.

Your adjusted gross income in 1987 was $29,000, consisting of your salary of $30,000 minus a $1,000 capital loss deduction. You were single and claimed only one personal exemption, worth $1,900 in 1987. During that year, you gave $17,000 in charitable contributions and had $2,725 in dental expenses. You also deducted $1,650 in taxes and $1,125 in home mortgage interest.

The deduction for charitable contributions is limited to 50% of adjusted gross income (.50 × $29,000 = $14,500). The deduction for medical expenses is limited to expenses over 7.5% of adjusted gross income (.075 × $29,000 = $2,175; $2,725 − $2,175 = $550). The deductions for taxes and home mortgage interest are not subject to any limits. You were thus able to claim $17,825 ($14,500 + $550 + $1,650 + $1,125) in itemized deductions for 1987. You had no other deductions in 1987. Your taxable income for the year is $9,275, computed as follows:

Salary		$30,000
Minus: Capital loss deduction		1,000
Adjusted gross income		$29,000
Minus net itemized deductions:		
Charitable contributions (adjusted to limit the deduction to 50% of $29,000 adjusted gross income)	$14,500	
Medical expenses (adjusted to limit the deduction to expenses in excess of 7.5% of $29,000 adjusted gross income)	550	
Taxes	1,650	
Home mortgage interest	1,125	
Total itemized deductions		$17,825
Remainder		$11,175
Minus: Personal exemption		1,900
Taxable income for 1987		$ 9,275

Because the $16,000 net operating loss you are carrying back to 1987 is more than your $9,275 taxable income for 1987 as adjusted, you must figure your modified taxable income. Figure your modified taxable income for 1987 as follows:

Salary		$30,000
Minus: Capital loss deduction (none allowed)		-0-
Adjusted gross income		$30,000
Minus net itemized deductions:		
Charitable contributions (adjusted to limit the deduction to 50% of $30,000 adjusted gross income)	$15,000	
Medical expenses (adjusted to limit the deduction to expenses in excess of 7.5% of $30,000 adjusted gross income)	475	
Taxes	1,650	
Home mortgage interest	1,125	
Total itemized deductions		18,250
Remainder		$11,750
Minus: Personal exemption (none allowed)		-0-
Modified taxable income for 1987		$11,750

Subtract your modified taxable income for 1987 ($11,750) from your NOL carryback from 1990 ($16,000) and carry the remaining $4,250 to 1988.

NOL Less Than Taxable Income

After you determine your NOL for the current tax year, as described earlier, you can use that amount to offset income in other tax years. The total of your NOL carrybacks and carryovers to a tax year is your NOL carried to that tax year. For information on carrybacks and carryovers, see *When To Use an NOL*, earlier.

Before you can compute your NOL deduction for a tax year, determine the NOL to be carried to that tax year. Generally, the amount you carry to a tax year is the NOL that was not used up in another tax year. See *How To Use an NOL*, earlier, for more information on determining the available NOL to be carried to a tax year.

After determining the amount of your NOL deduction for the year to which an NOL is to be carried, you are ready to figure your tax liability for that year. You deduct the NOL when figuring adjusted gross income for the carryback or carryover year. Because the NOL lowers your adjusted gross income, you may need to adjust your other deductions that are based on a percentage of adjusted gross income. The NOL deduction may also affect your tax credits and liability for the alternative minimum tax. See *Refiguring deductions, credits, and taxes in the carryback year*, later, for more information.

If the period has expired for claiming a refund or credit for an unclaimed deduction in the carryback year, do not use that unclaimed deduction to figure how much of your NOL to deduct in the carryback year or how much of the NOL to carry to the next year. However, if the unclaimed deduction would have caused an NOL in the carryback year, you may carry that resulting NOL forward to any open years in which it could be deducted. You can use it to reduce your tax before deducting any NOL you incurred in a later year.

Refiguring deductions, credits, and taxes in the carryback year. If you carry back your NOL, you must refigure any deductions, such as medical expenses and casualty losses, that are affected by a percentage of adjusted gross income. Refigure these deductions using your new adjusted gross income. Do not refigure your deduction for charitable contributions. This deduction is not changed because of an NOL carryback.

Next refigure your income tax for the year. Also refigure any alternative minimum tax you paid in the carryback year. However, ***do not refigure*** your self-employment tax.

Finally, you must refigure any credits for the carryback year that are based on or limited by the amount of tax. Refigure these taxes and credits on the basis of your new tax liability.

Example. In 1990, you had an NOL of $8,000. Because you do not choose to forgo the 3-year carryback period, you carry your NOL back to 1987. You have no other carrybacks or carryovers to 1987.

Your adjusted gross income for 1987 was $15,000. It came from your salary and savings account interest. You did not have any capital gains or losses in 1987. You had a total of $4,885 for the year in itemized deductions, consisting of $2,500 in charitable contributions and $385 in medical expenses. You actually paid $1,510 in doctor's expenses, but the deduction was limited to expenses in excess of 7.5% of adjusted gross income. You also deducted $1,000 in taxes and $1,000 in home mortgage interest. You were able to deduct $4,885 in itemized deductions. You were single and claimed one personal exemption in 1987. Your tax of $1,162 for the year was based on taxable income of $8,215 ($15,000 − $4,885 − $1,900).

Because your $8,000 NOL carryback is less than $8,215, you can deduct all of your NOL carryback in 1987 without having to figure your modified taxable income.

You refigure your 1987 income tax to determine the amount of your refund as follows:

Adjusted gross income on 1987 return		$15,000
Minus: Net operating loss deduction from 1990		8,000
Adjusted gross income after carryback		$ 7,000
Minus itemized deductions:		
Charitable contributions (amount allowed on 1987 return)	$2,500	
Medical expenses ($1,510 of actual expenses minus 7.5% of adjusted gross income after carryback)	985	
Taxes	1,000	
Home mortgage interest	1,000	
Total itemized deductions		$ 5,485
Remainder		$ 1,515
Minus: Personal exemption		1,900
Taxable income after carryback		-0-
Taxes paid on 1987 return		$ 1,162
Tax liability after carryback		-0-
Refund due		$ 1,162

Carryover. If you choose to forgo the carryback period, described earlier, you must first carry your NOL to the year following the NOL year. Then figure how much of your NOL you can deduct in a carryover year.

Forms. The form you use to deduct your NOL depends on whether you carry it back or carry it over. However, whether you carry your NOL back or carry it over, you must attach to your return a statement that shows all the important facts about the NOL. Your statement should include how much was deducted and how you figured the deduction. If more than one NOL is deducted in the same year, your statement must cover each of them.

For a carryback. If you carry back your NOL, you can use either Form 1040X, *Amended U.S. Individual Income Tax Return*, or Form 1045, *Application for Tentative Refund*. You can get your refund quicker by using Form 1045.

To get a refund of taxes, file Form 1040X within 3 years of the due date, including extensions, for filing the return for the NOL year. For example, if you are a calendar year taxpayer and filed your 1987 return by the April 15, 1988, due date, you must file a claim for refund of taxes paid in 1984 because of an NOL carryback from 1987 by April 15, 1991.

If you prefer, you may apply for a quick refund by filing Form 1045. This form results in a tentative adjustment of tax in the carryback year. You must file Form 1045 on or after the date you file the return for the NOL year, but not later than one year after the NOL year. For example, if you are a calendar year taxpayer with a carryback from 1990 to 1987, you must file Form 1045 on or after the date you file your tax return for 1990, but no later than December 31, 1991.

The Internal Revenue Service will ordinarily act on Form 1045 within 90 days from the day you file it.

If the IRS refunds or credits an amount to you on the basis of Form 1045 and later determines that the refund or credit is too much, the excess may be assessed and collected immediately.

For a carryover. If you carry over your NOL, you should list the amount of your deduction as a minus figure on line 22 of Form 1040 (for 1990). If NOLs from two or more years are carried over to the same year, add the carryovers and list the total on line 22.

Change in marital status. If you and your spouse have not been married to each other in all years involved in the computation of the NOL, the NOL deduction may only be taken by the spouse who incurred the loss and only to offset income generated by that spouse.

If your marital status changes because of death or divorce and, in a later year, you incur an NOL, you may carry back that loss only to the part of the taxable income reported on a joint return (filed with your former spouse) that is attributable to you. After you deduct the NOL in the carryback year, the joint rates apply to the resulting taxable income. The difference between this tax and your separate tax liability on the joint return is usually the amount of your claim for refund from the NOL carryback. However, see *Amount of refund*, later.

Figuring your separate tax liability. There are five steps for figuring your separate tax liability on the joint return.

1) Figure your tax for the prior year as though you were filing a "married filing separate" return.
2) Figure your spouse's tax in that year as though "married filing separate" also.
3) Add the amounts on (1) and (2) together.
4) Divide the amount on (1) by the amount on (3).
5) Multiply the tax shown on your "married filing joint" return by the amount figured on line 4. This your separate tax liability.

Amount of refund. The amount of your refund from the carryback is limited to your share of the joint overpayment (the part of the tax on the joint return that you are considered to have paid). This is found by subtracting your separate tax liability (as determined above) from your contribution toward the tax payment.

Unless you have an agreement or clear evidence of each spouse's contributions toward the payment of the joint tax liability, figure your contribution by using the tax withheld on your wages and your share of the joint estimated tax or tax paid with the return. Your share of these payments is found by using the same formula used in determining your separate tax liability. Substitute the joint estimated tax, or tax paid with the return, for the tax in step (5). If the original return for the carryback year resulted in an overpayment, reduce your contribution by your share of the tax refund.

An NOL carryover that may be claimed in a carryover year in which your marital status is different (that is, you were single in the year the

carryover originated and are now married or were married to a different spouse in that year) may also be limited. If you file a joint return in the carryover year, the deduction for your NOL carryover may not exceed your taxable income in the carryover year. Also, any refund will be limited to your separate tax liability. Use the same formula (as shown earlier) to find your separate tax liability.

You must attach a copy of the computation to your claim showing how you made the allocations.

Change in filing status. If you and your spouse have been married for each year involved in the computation of the NOL and file only joint returns for each tax year involved in the computation of NOL carrybacks and carryovers, the NOL is figured in the same way as for an individual but is treated as a joint NOL figured on the joint NOL and the combined taxable income of both spouses.

If you and your spouse have been married for each year involved in the computation of the NOL and file only separate returns for each tax year involved in the computation of NOL carrybacks and carryovers, the NOL deduction is allowed to the spouse who sustained the loss up to the amount of his or her income.

Special rules apply, however, for figuring the NOL carrybacks and carryovers of a husband and wife whose filing status changes for any tax year involved in computing an NOL deduction. These rules follow.

Separate to joint returns. If you and your spouse file a joint return for a carryback or carryover year, and were married but did not make a joint return for any of the tax years involved in the computation, treat any separate NOL carryback or carryover as a joint NOL carryback or carryover.

Joint to separate returns. If you and your spouse file separate returns for a carryback or carryover year, but made a joint return for any, or all, of the tax years involved in the computation, figure each of your carrybacks or carryovers separately. To determine a spouse's separate NOL, subtract that spouse's separate deductions from that spouse's separate income. If the income is more than the deductions, that spouse does not have an NOL. The excess income of that spouse also offsets the NOL carryback or carryover of the other spouse.

Example. Mark and Nancy are married and file a joint return for 1990 showing an NOL of $5,000. The NOL is carried back to 1987, a year in which Mark and Nancy filed separate returns. For 1990, Mark had income of $40,000 and deductions of $32,000. Nancy had income of $18,000 and deductions of $31,000. Mark has excess income of $8,000 and does not have any NOL to carry back. Nancy has an NOL of $13,000 that must be offset by Mark's excess income ($8,000). The NOL ($5,000) may then be carried back to Nancy's 1987 separate return.

For more detailed information on the rules affecting NOLs of married taxpayers, see section 1.172–7 of the Income Tax Regulations.

Partnerships and S Corporations

Partnerships and S corporations generally are not allowed to take an NOL deduction. But the partners or shareholders may use their separate shares of the partnership's or corporation's business income and business deductions to figure their individual NOLs.

Corporations

A corporation generally figures and deducts an NOL the same way an individual does. The same carryback and carryover periods apply, and the same sequence applies when two or more NOLs are carried to the same year.

A corporation's NOL generally differs from an individual's in two ways.

1) A corporation is allowed to take different deductions when figuring an NOL, and
2) A corporation must make different modifications to its taxable income in the carryback or carryover year when figuring how much of the NOL will be used and how much to carry over to the next year.

Figuring an NOL. A corporation's NOL is figured the same way as its taxable income. Start with the corporation's gross income and subtract its deductions. If its deductions are more than its gross income, it has an NOL.

However, there are rules for computing the NOL that either limit what can be deducted, or permit deductions not ordinarily allowed. These rules are:

1) You cannot deduct any NOL carrybacks or carryovers from other years;
2) You can take the deduction for dividends received, explained later, without limiting it to a percentage of the corporation's taxable income; and
3) You can figure the deduction for dividends paid on certain preferred stock of public utilities, without limiting it to the taxable income for the year.

Dividends-received deduction. A corporation can take a deduction for ***80%*** of dividends received or accrued if it owns 20% or more of the stock of the paying domestic corporation (by vote and value).

If a corporation owns less than 20% of the paying domestic corporation, it can take a deduction for only ***70%*** of dividends received or accrued. Under prior law, before 1988, all domestic corporations could generally take a deduction for 80% of the dividends received or accrued from taxable domestic corporations.

Limit on deduction. The amount of the dividends-received deduction is generally limited to 70% or 80% of the taxable income of the corporation receiving the dividend.

However, if a corporation sustains an NOL for a tax year, the limitation of 70% or 80% of taxable income does not apply. In determining if a corporation has an NOL, the dividends-received deduction is figured without regard to the 70% or 80% of taxable income limitation.

See Publication 542, *Tax Information on Corporations*, for more information on determining the dividends-received deduction.

Example. A corporation had $500,000 gross income from business operations and $625,000 of allowable business expenses. It also received $150,000 in dividends from a domestic corporation in which it was a 20% owner. It figures its NOL as follows:

Income from business	$ 500,000
Dividends	150,000
Gross income	$ 650,000
Deductions (expenses)	625,000
Taxable income before special deductions	$ 25,000
Minus: Deduction for dividends received (not limited to 80% of taxable income), 80% of $150,000	120,000
Net operating loss	($ 95,000)

Using an NOL. A corporation figures how much of its NOL to deduct in the year it is carried to by subtracting from the NOL the modified taxable income of any earlier carryback or carryover years. If the NOL available for a carryback or carryover year is greater than the taxable income for that year, the corporation must modify its taxable income to figure how much of the NOL is used up in that year and how much may be carried to the next tax year.

Unless a corporation elects to forgo the carryback period, it must first carry the entire NOL to the earliest carryback year, then carry any excess NOL, after subtracting modified taxable income, to the next carryback year, and so on.

Ownership change. A loss corporation that has an ownership change is limited on the amount of taxable income that may be offset by NOL carryovers arising before the date of the ownership change. This limit applies to any year ending after the change of ownership.

See section 382 of the Internal Revenue Code and the related Temporary Regulations for more information about the limits on corporate NOL carryforwards and corporate ownership changes.

Modified taxable income. Modified taxable income is figured in the same way as taxable income. But you must figure the corporation's deduction for charitable contributions without considering any NOL carrybacks.

Modified taxable income is used only to figure how much of an NOL is used up in the carryback or carryover year and how much to carry to the next year. It is not used to fill out the corporation's tax return or figure its tax.

When you figure modified taxable income, you may deduct only NOLs from years before the year of the NOL being carried back or over.

Taking the deduction. The form that is used to deduct the corporation's NOL depends on whether you carry it back or over.

For a carryback. If you carry back the corporation's NOL, you can use either Form 1120X, *Amended U.S. Corporation Income Tax Return*, or Form 1139, *Corporation Application for Tentative Refund*. The corporation can get a refund quicker by using Form 1139. You cannot file Form 1139 before you file the return for the corporation's NOL year. But you must file it no later than one year after the NOL year.

Form 1120X must be filed within 3 years of the due date, plus extensions, for filing the return for the year the corporation has the NOL.

For a carryover. If you carry over the corporation's NOL, enter it on line 29(a) of Form 1120 or line 25(a) of Form 1120–A.

Carryback expected. If a corporation expects to have an NOL in its current year, it may automatically extend the time for payment of all or part of its income tax for the immediately preceding year. It does this by filing Form 1138, *Extension of Time for Payment of Taxes by a Corporation Expecting a Net Operating Loss Carryback*, and by explaining on the form why it expects the loss. This explanation must comply with the instructions on Form 1138.

Period of extension. The extension is in effect until the end of the month in which the return for the NOL year, plus extensions, is due.

If the corporation files Form 1139 before this date, the extension will continue until the date the IRS notifies the corporation that its Form 1139 is disallowed in whole or in part.

NOL Worksheet

There is an NOL worksheet provided to help you figure your NOL deduction and how much of an NOL is used up in a carryback or carryover year. Use a separate worksheet for each carryback or carryover year.

Do not use a worksheet if your NOL to be carried to a year is equal to or less than your taxable income for that year. If your NOL is equal to or less than your taxable income for the year, the

whole amount is deductible for the year to which you carry the loss.

If your NOL to be carried to a year is more than your taxable income for that year, you may use the NOL worksheet that follows to figure the amount of the loss used in that year and the unused part of the loss to be carried to the next tax year.

Use the following steps as a guide to figuring and using your NOL.

Step 1) Complete your tax return for the year. If either of the following two conditions applies, you ***might*** have an NOL:

a) Individuals—the amount on line 31 of Form 1040 is a negative figure.

b) Corporations—the amount on line 30 of Form 1120 or line 26 of Form 1120–A is a negative figure.

Step 2) Determine whether you have an NOL, and its amount, as explained earlier under *How To Figure an NOL.*

Step 3) If you determine that you have an NOL, decide whether you will carry it back and claim a refund of taxes paid in a prior year, or whether you will forgo the carryback period and only carry the loss forward. See *Forgoing the carryback period,* earlier.

Step 4) If you do not choose to forgo the carryback period, carry your 1990 NOL back 3 years to 1987, as explained earlier under *When To Use an NOL.* If you choose to forgo the carryback period, you will first use your NOL in 1991.

Step 5) Figure how much of the NOL is used up in the year you first carry it to, and how much to carry on to another year. You may use one or more of the following *NOL Worksheets* for this purpose.

Step 6) Deduct the NOL. If you carried the NOL back, refigure your tax for the carryback year, as explained under *NOL Less Than Taxable Income.* If you are entitled to a refund, file Form 1045 or Form 1040X. Corporations file Form 1139 or Form 1120X.

NOL Worksheet

PART I—NOL DATA

A) Carryback or carryover year—Enter the year to which you are carrying your NOL ..... _____

B) NOL year—Enter the year in which your NOL occurred (the loss year). If you have more than one NOL, use a separate worksheet for each NOL ..... _____

C) NOL amount—Enter the amount of the loss you are carrying from year B to year A ..... $ _____

D) If you have other NOLs to carry to year A, enter the total of all:

(1) Carryovers from years before both years A and B ..... $ _____

(2) Carrybacks from years before year B ..... $ _____

(3) NOLs from years after year B ..... $ _____

PART II—INDIVIDUALS

1) Taxable income for year A before deduction of the NOL amount on line C. (Whether or not a return has been filed for year A, the amount entered on this line should include any adjustments for any allowed NOL carrybacks or carryovers that were incurred before year B.) ..... $ _____

2) Adjust line 1 by adding (or subtracting, if the amount is in parentheses) the following:

a. Capital loss deduction (if none enter zero) ..... _____

b. Total exemptions deduction ..... _____

c. Itemized deductions adjustment from PART III:

(1) Line 11a, ... _____

(2) Line 11b, or ..... _____

(3) Line 11c, whichever is applicable ..... (_____)

3) Modified taxable income (line 1 plus (or minus) lines 2a, b, and c) ..... $ _____

PART III—COMPUTATION OF THE ITEMIZED DEDUCTION ADJUSTMENT

1) Adjusted gross income (AGI) for year A before deduction of the NOL amount on line C. (Whether or not a return has been filed for year A, the amount entered on this line should include any adjustments for any allowed NOL carrybacks or carryovers that were incurred before year B.) ..... $ _____

2) Plus the capital loss deduction amount from PART II, line 2a ..... _____

(Do not complete the rest of this part if you put zero on line 2. Enter zero on line 2c(1) of PART II.)

3) Modified AGI ..... $ _____

4) Unadjusted deduction amount from:

a. Schedule A, Form 1040

(1) Line 4 (Medical) ..... $ _____

(2) Line 24 (Miscellaneous) ..... _____

b. Form 4684, line 18 (Casualty losses) ..... _____

c. Total of lines 4a(1), 4a(2), and 4b ..... $ _____

	Medical	Miscellaneous	Casualty
5) AGI amount from line 3	$ _____	$ _____	$ _____
6) Times applicable % limitation	x .075	x .02	x .10
7) Limitation amount	$ _____	$ _____	$ _____
8) Unadjusted deduction amount from:			
a. Schedule A, Form 1040, line 2	$ _____		
b. Schedule A, Form 1040, line 22		$ _____	
c. Form 4684, line 18			$ _____
9) Limitation amount from line 7	$ _____	$ _____	$ _____
10) Adjusted deduction amount—Subtract line 9 from line 8, enter results, then total across	$ _____ +	$ _____ +	$ _____ = $ _____

11) Itemized deductions adjustment. If line 10 is:

a. Equal to line 4c, enter zero on this line and on line 2c(1) of PART II ..... $ _____

b. Less than line 4c, enter the difference on this line and on line 2c(2) of PART II ..... $ _____

c. More than line 4c, enter the difference on this line and on line 2c(3) of PART II ..... $ _____

NOTE: If your itemized deductions include charitable contributions that are limited by your AGI, see the earlier discussion of modified taxable income for special instructions that may affect the results on this worksheet.

PART IV—CORPORATIONS

1) Taxable income for year A before the net operating loss deduction and special deductions:

a. If year A is a carryover year, enter the amount on line 28 of Form 1120 or line 24 of Form 1120-A, but without deducting any charitable contributions.....

b. If year A is a carryback year, enter the amount shown on line 28 of Form 1120 or line 24 of Form 1120-A.

} $_____

NOTE: If taxable income on line 28 of Form 1120 or line 24 of Form 1120-A is zero or less than zero, do not fill out the rest of the worksheet. Carry all of the NOL to the next tax year.

2) Enter the amount on line D(1) of PART I ..... _____

3) Subtract line 2 from line 1 ..... $_____

4) Figure the deduction for charitable contributions using the amount on line 3 as the corporation's taxable income for the year. ***Enter for a carryover year only*** ..... $_____

5) Enter the amount on line D(2) of PART I ..... _____

6) Dividends received deduction (limited to 70% (or 80%, if applicable) of the remainder after line 4 is subtracted from line 1) ..... _____

7) Add lines 4, 5 and 6 ..... _____

8) Modified taxable income—Subtract line 7 from line 3. But if line 7 is more than line 3, enter zero ..... $_____

PART V—INDIVIDUALS AND CORPORATIONS

A) The amount on line C, PART I, plus any other carrybacks or carryovers from other years to year A, is your total NOL deduction for year A.

B) Compare line 3, PART II or line 8, PART IV to line C, PART I.

C) If line C is more than line 3 or 8, subtract the amount on line 3 or 8 from line C and enter the remainder here: _____. This is the amount you should carry to the next available year. Enter this amount on line C of PART I of the worksheet for that year.

D) If line C is less than or equal to line 3 or 8, and you listed any amount on line D(3) of PART I, start a new worksheet for the loss from the earliest year included on line D(3) to figure how much of it can be carried to the year shown on line A of PART I.

List of Tax Publications for Business Taxpayers

General Guides

1 ..... Your Rights as a Taxpayer
17 ..... Your Federal Income Tax (For Individuals)
225 ..... Farmer's Tax Guide
334 ..... Tax Guide for Small Business
509 ..... Tax Calendars for 1991
553 ..... Highlights of 1990 Tax Changes
595 ..... Tax Guide for Commercial Fishermen
910 ..... Guide to Free Tax Services

Employer's Guides

15 ..... Employer's Tax Guide (Circular E)
51 ..... Agricultural Employer's Tax Guide (Circular A)
80 ..... Federal Tax Guide for Employers in the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (Circular SS)

Specialized Publications

349 ..... Federal Highway Use Tax on Heavy Vehicles
378 ..... Fuel Tax Credits and Refunds
463 ..... Travel, Entertainment, and Gift Expenses
505 ..... Tax Withholding and Estimated Tax
510 ..... Excise Taxes for 1991
515 ..... Withholding of Tax on Nonresident Aliens and Foreign Corporations
517 ..... Social Security for Members of the Clergy and Religious Workers
527 ..... Residential Rental Property
533 ..... Self-Employment Tax
534 ..... Depreciation
535 ..... Business Expenses
536 ..... Net Operating Losses
537 ..... Installment Sales
538 ..... Accounting Periods and Methods
541 ..... Tax Information on Partnerships
542 ..... Tax Information on Corporations
544 ..... Sales and Other Dispositions of Assets
551 ..... Basis of Assets
556 ..... Examination of Returns, Appeal Rights, and Claims for Refund
557 ..... Tax-Exempt Status for Your Organization
560 ..... Retirement Plans for the Self-Employed
561 ..... Determining the Value of Donated Property
578 ..... Tax Information for Private Foundations and Foundation Managers
583 ..... Taxpayers Starting a Business
586A ... The Collection Process (Income Tax Accounts)
587 ..... Business Use of Your Home
589 ..... Tax Information on S Corporations
594 ..... The Collection Process (Employment Tax Accounts)
597 ..... Information on the United States-Canada Income Tax Treaty
598 ..... Tax on Unrelated Business Income of Exempt Organizations
686 ..... Certification for Reduced Tax Rates in Tax Treaty Countries
908 ..... Bankruptcy and Other Debt Cancellation
909 ..... Alternative Minimum Tax for Individuals
911 ..... Tax Information for Direct Sellers
917 ..... Business Use of a Car
924 ..... Reporting of Real Estate Transactions to IRS
925 ..... Passive Activity and At-Risk Rules
926 ..... Employment Taxes for Household Employers
937 ..... Business Reporting (Employment Taxes and Information Returns)
1544 ... Reporting Cash Payments of Over $10,000

Spanish Language Publications

1S ..... Derechos del Contribuyente
179 ..... Guia Contributiva Federal Para Patronos Puertorriqueños (Circular PR)
556S ..... Revisión de las Declaraciones de Impuesto, Derecho de Apelacion y Reclamaciones de Reembolsos
579S ..... Como Preparar la Declaración de Impuesto Federal
586S ..... Proceso de Cobro (Deudas del Impuesto Sobre Ingreso)
594S ..... Proceso de Cobro (Deudas del Impuesto por Razon del Empleo)
850 ..... English–Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service

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Instructions for 1040 & Schedules	Instructions for 1040EZ	Schedule SE (1040)	3468 & Instructions	8822	Pub. 521	Pub. 590	
1040A	Schedules A&B (1040)	1040-ES (1991)	3903 & Instructions	Pub. 1	Pub. 523	Pub. 910	
Instructions for 1040A, Sch. 1&2	Schedule C (1040)	1040X & Instructions	4562 & Instructions	Pub. 17	Pub. 525	Pub. 917	
Schedule 1 (1040A)	Schedule D (1040)	2106 & Instructions	4868	Pub. 334	Pub. 527	Pub. 929	
Schedule 2 (1040A)	Schedule E (1040)	2119 & Instructions	8283 & Instructions	Pub. 463	Pub. 529		
Schedule 3 (1040A) & Instructions	Schedule F (1040)	2210 & Instructions	8332	Pub. 505	Pub. 545		

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